

# CONCESSION MANAGEMENT RATE APPROVAL GUIDE

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## OVERVIEW

This document is divided into two sections. The first section outlined below is a general guideline of the entire Rate Approval Program. The second section has been designed as a “how-to” Manual, that outlines the various components of the NPS Concessioner Rate Approval Program with detail instructions on how to conduct rate reviews.

### PUBLIC LAW

Title IV of the National Parks Omnibus Management Act of 1998 relates to Concession Management. Sec. 406 of Title IV relates to Reasonableness of Rates and states the following:

Sec. (a). Each concession contract shall permit the concessioner to set reasonable and appropriate rates and charges for facilities, goods and services provided to the public, subject to approval under subsection (b).

Sec. (b). A concessioner's rate and charges to the public shall be subject to approval by the Secretary. The approval process utilized by the Secretary shall be as prompt and as unburdensome to the concessioner as possible and shall rely on market forces to establish reasonableness of rates and charges to the maximum extent practicable. The Secretary shall approve rates and charges that the Secretary determines to be reasonable and appropriate. Unless otherwise provided in the contract, the reasonableness and appropriateness of rates and charges shall be determined primarily by comparison with those rates and charges for facilities, goods and services of comparable character under similar conditions, with due consideration to the following factors and other factors deemed relevant by the Secretary: length of season, peakloads, average percentage of occupancy, accessibility, availability and costs of labor and materials, and type of patronage. Such rates and charges may not

exceed the market rates and charges for comparable facilities, goods and services, after taking into account the factors referred to in the preceding sentence.

### POLICY

The *Management Policies Manual*, Chapter X provides the following direction that pertains to rates charged the public:

#### 10.2.4.7 Rates.

The National Park Service must approve all rates charged to visitors by concessioners. The reasonableness of a concessioner's rates and charges to the public will, unless otherwise provided in the contract, be judged primarily on the basis of comparison with current rates and charges for facilities and services of comparable character under similar conditions. Due consideration will be given to length of season, provision of peak loads, average percentage of occupancy, accessibility, availability and costs of labor and materials, type of patronage and other factors deemed significant by the Director.

### DIRECTOR'S ORDER NPS-48 4.3 RATE APPROVAL PROGRAM

**Legal Authority.** 16 U.S.C. 20 (Sec. 3); P.L. 105-391

**Objectives.** Through an analytical process, review and approve concessioner rates that:

Produce defensible results that are valid and reliable

Reflect the competitive marketplace

Ensure a consistent Servicewide approach

Allow professional flexibility to individual NPS areas in the conduct of the program

**Requirements/Instruction.** The National Park Service is required by law to approve all rates charged to the public by park concessioners and to ensure that those rates are comparable to similar goods and services outside of the park. To meet this requirement and to ensure consistency and accountability the following procedures, steps, or processes are required of all NPS employees who have responsibility for approval of concessioners' rates.

There are six methods identified in detail in the *Rate Approval Manual* that a Superintendent can use to determine appropriate rates. The selection depends mostly on the type of product or service being sold and the local situations impacting the business. The six methods are (1) Direct Comparability, (2) Core Menu, (3) Merchandise Pricing, (4) Contract Specified Rate, (5) Competitive Market Declaration, and (6) Financial Analysis/Indexing.

The National Park Service must also approve local rules outlining reservation and refund policies for lodging at the same time that annual rates are approved.

If disagreements can not be resolved locally, a regional director is the highest authority to which a concessioner can appeal rates or the way the rate approval program is conducted. The required appeal process is outlined in the *Rate Approval Manual section, which begins on page 9*.

An annual written rate schedule is to be developed and must be maintained by the park. A copy should be provided to the concessioner and others on request. The schedule should be very specific as to what is provided for the price charged.

When conducting the Direct Comparability method of rate approval there are 12 steps to be completed and documented as outlined in detail in the *Rate Approval Manual section*.

NPS employees who have rate approval responsibilities and have not yet received formal training in rate approval are required to have a cosigner for any rate approval actions taken. The cosigner will also provide a review and process

analysis. Extensive details on this process are in outlined the *Rate Approval Manual section*.

There are specific criteria that must be analyzed for each of the six types of businesses in order to determine comparability for rate approvals. Those businesses are lodging, food and beverage, campgrounds, marinas, tour operations, and gasoline stations. The criteria are outlined in detail in the *Rate Approval Manual section*.

Once actual comparables are determined, extra quality features, which are used to identify the approximate value and comparable rate for the concession facilities, must be analyzed. The process is outlined in detail in the *Rate Approval Manual section*.

When approving rates on retail merchandise it is appropriate to round up or down to arrive at a final rate. Specific guidelines on Servicewide increments for rounding are in the *Rate Approval Manual section*. Although rounding is optional the procedure for accomplishing it is mandatory.

Allowable components of product cost that can be passed along to the public and procedures for computing the final cost are outlined in the *Rate Approval Manual section*. Parks do not have the option of allowing a concessioner to pass on costs that are prohibited.

## SUMMARY

### PROGRAM GOAL

To ensure that rates charged to the public for concessioner-provided facilities and services are fair, reasonable, and in accordance with the requirements law.

### OBJECTIVES

Through an analytical process, review and approve concessioner rates that:

Produce defensible results that are valid and reliable

Reflect the competitive marketplace

Ensure a consistent Servicewide approach

Allow professional flexibility for individual NPS areas to conduct the program

### RESPONSIBILITIES

An outline of the various responsibilities of all the offices and entities involved in the Rate Approval Program is presented below. The methods and procedures for accomplishing these responsibilities will be identified and discussed in more detail in the *Rate Approval Manual* section.

WASO will:

Establish and update policy

Concessions Program Center will:

Requested) to the inspector general, Office of Management and Budget, and Congress.

Coordinate Servicewide training.

Concession Program Center will:

Maintain and distribute, on request or annual basis, comparability data and various indexes

Develop and disseminate technical support data

Provide direct assistance to parks and other field areas in the completion of rate approval studies upon request

Make determinations regarding the appropriate markup classification of retail sales items when discrepancies are noted among park areas

Regional offices will:

Provide the final level of appeal, review, and decision for concessioner rates

Provide technical program support to park areas as requested

Review and act on park requests to use indexing or financial analysis to approve rates

Parks will:

Establish a time frame in which concessioners should request rate actions

Determine the appropriate rate approval method if there is a qualified employee available. If a qualified/trained employee is not available the regional office or Concession Program Center can identify the method to be used, [see section I.B. of the *Rate Approval Manual*]. Park staff must obtain assistance if they Use the indexing or financial analysis methods of rate approval.)

Perform rate approval studies, approve rates, and maintain current rate schedules for all services provided by concessioners

Monitor compliance with approved rates through the Concessioner Review Program

accomplished over the phone with less cost involved.

Concessioners will:

Submit rate requests that are timely, accurate, and thorough

Comply with the established appeal process

Adhere to approved rates

## **RATE APPROVAL METHODS**

The following information briefly describes the six approved methods that the Superintendent may use when reviewing a concessioner's rate request. Each of these methods conforms to and is in compliance with The Concessions Policy Act of 1998 (PL 105-391). Each of the six methods has specific applicability depending upon the combination of the different types of services, products, and operating situations with which a concessioner operates. Detailed procedural information on the six methods is outlined in the *Rate Approval Manual* section.

### **1. Direct Comparability**

This method consists of two processes. The Full Review and the Limited Review. The Full Review requires that the National Park Service collect extensive information from businesses outside of the park that are identified as potential comparables and that are similar to the concession operation. This information is then analyzed and those properties determined to be most similar are then used as actual comparables in the assessment of the concessioner's rate request. This data is primarily used in approving rates to the public for lodging, food and beverage, gasoline, marinas, transportation, and campgrounds.

The Limited Review process has two applications. This process can be used to update the information gathered by the Full Review process or it can be used as a stand alone rate approval process. Limited Reviews are less complex than Full Reviews and can be generally

## **2. Merchandise Pricing**

On a Servicewide basis, maximum markups (percentage increase above wholesale in arriving at retail price to customers) for specific merchandise categories are established and provided by the National Park Service for use by the concessioner in calculating rates for grocery, convenience, and retail (gift) operations. This permits the National Park Service and the concessioner to quickly arrive at approved rates for thousands of retail sales items. These markup guidelines are determined and updated annually through a compilation of nationally published industry statistics. The application of this method involves pricing merchandise by using the concessioner's documented product cost multiplied by the percentage determined. The National Park Service will conduct compliance reviews of concessioner invoices on random products to verify that correct pricing is used.

## **3. Core Menu**

The Core Menu Rate concept has been developed to provide a more fluid and professional procedure for approving food and beverage rates for park concessioners. The determination to use and/or continue using the core menu method is one that should be determined from consultation and between the park and concessioner. The basic core menu should be developed before the comparability review is conducted. The core menu is intended to identify those specific food categories and items that are standard on the comparable menus and that should be reflected on the concessioner's menu.

## **4. Contract-Specified Rate**

This procedure establishes the approved rate(s) as part of the contracting process. Rates are actually incorporated into the wording of the contract and are initially determined by direct comparability, competition in response to a prospectus, or negotiation with a successful bidder. Annual price changes are initiated based upon a previously identified sub-index of the

consumer price index (CPI) provided by the Department of Labor, Bureau of Labor when there is a limited number of items or services, no comparables are readily available, or the method is determined to be advantageous to the government. The WASO Concession Program Office will provide this CPI data upon request.

### **5. Competitive Market Declaration**

This method provides a process by which the National Park Service determines that the pricing of a specific item or service is not related to or enhanced by a specific NPS area. Such services include those in a highly competitive market, negotiated sales items, or unusual items (such as antiques) wherein value is unrelated to the place they are sold. For these items or services a declaration is made that further rate reviews are unnecessary, as the concessioner's pricing must be competitive to secure business and is, therefore, comparable. The declaration must be reviewed annually to ensure that significant changes have not occurred in the marketplace that would necessitate the use of another rate approval method. This review process must be documented. The superintendent may rescind the use of this method if it is determined that the competitive situation has changed or if another method appears to be more appropriate.

This method works well in many urban areas where there is a significant level of external competition. Since the administration of a competitive market declaration requires low level of NPS involvement, it is encouraged unless it is apparent that rates will escalate beyond the external competitive environment.

### **6. Financial Analysis/Indexing**

Almost 100% of the rate approval actions in the National Park Service fall under the above five categories, but there may be occasions when a service, product, or situation precludes successful use of these methods. In those situations the National Park Service may approve rates using either the consumer price index (CPI) in a process called indexing or through a financial analysis process. Both of these methods are very limited in their application and require consul-

Statistics. This method is used

tation with NPS officials beyond the park level. More specific guidance is available in the *Rate Approval Manual*.

### **UTILITY COSTS**

When the National Park Service provides a concessioner with utilities (electricity, water, sewer, and solid waste removal) at a rate higher than comparable utility charges in the private sector, those costs are to be considered when conducting rate review.

Exhibit 4 outlines specific information applicable to the NPS Concessioner Utility Program.

### **MISCELLANEOUS**

#### **Reduced Rates to Government Employees**

These rates can be provided by the concessioner only while the government employees are conducting official business and in order to benefit the government by lowering travel expenses, permitting more effective program control, and maximizing use of federal funds. The amount of discount is usually based on the federal government published per diem rate or a percentage discount. Reduced rates must be made part of the concessioner's approved rate schedule.

#### **Reservations**

Concessioners should develop reservation procedures, including standards for deposits and cancellations that are patterned after industry standards or those businesses that are used as comparables. Conditions under which deposits will be refunded or cancellation fees charged will be stated in detail in the concessioner's approved rate schedule and advertising material. Reservations may not be accepted more than two years in advance for accommodation facilities or services such as lodge rooms, trail rides, river runners, or houseboats.



## Appeal Process

If a concessioner disagrees with the findings of a rate study there is a right to appeal. An appeal should only be processed after reasonable efforts have been made to work out the concessioner's disagreement(s) with the park superintendent. Appeals should be made in the form of a letter to the Superintendent stating the concessioner's desire to appeal to the Regional Director. The letter should clearly state the concessioner's objection to the rate study determination(s) and should include a rationale and supply sufficient data and support information.

The Superintendent will immediately forward the letter of appeal to the Regional Director. The park will provide local NPS comments relating to the concessioner's objections and sufficient support to justify the park position relating to each issue of the appeal. The determination of the Regional Director will be final. Until the Regional Director has rendered a decision, the rates charged by the concessioner for the services in question will remain as currently approved.

The decision of the Regional Director is returned to the concessioner through the superintendent. If the Regional Director has changed the Superintendent's action, the memorandum will become an amendment to the Superintendent's approved rates. The entire appeal review should be acted upon in a timely manner (30 days or less).

## IMPLEMENTATION

After the Superintendent has approved the rates the following actions and procedures should be implemented:

**Rate Schedule.** A written rate schedule is to be developed by the concessioner and maintained

by the park. A copy should be provided to the concessioner and to others upon request. The schedule should be very specific and should show what is provided for the price charged. At the bottom of each page should be printed:

*"These rates are to remain in effect until specific changes are approved by the Superintendent."*

At a minimum the schedule should include, as applicable:

portion size, including meal components, prices for children and senior citizens, seasonal rates, duration for rental equipment, charge per person, single/double occupancy, extra bed/crib, seasonal rates, tour destination, and stops

reservation deposit and cancellation refunds

group and package rates

reduced rates for federal employees

**Advertising Material.** The Superintendent must approve all advertising, brochures, and other concessioner promotional materials to ensure that facilities and services are properly described and rates conform to those approved.

**Compliance with Approved Rates.** Using the evaluation program, rates should be monitored when evaluating facilities and services (see chapter on Concessioner Review Program-Operational Standards).

# CONCESSIONS RATE APPROVAL MANUAL

## INTRODUCTION

This manual is designed to provide an in-depth understanding of the procedures for processing concession rate requests. It is a *How to* guide for conducting a comprehensive and professional rate review action. It can also serve as a reference document on some points of debate between the NPS and the concessioner.

Procedures outlined are mandatory (Director's Orders) in order to ensure accountability, Servicewide consistency, and accuracy. There are other procedures that are optional depending on the specific rate approval situation and local prerogatives. Mandatory procedures are noted.

The procedures outlined are all in compliance with Sec. 406 of Title IV of the National Parks Omnibus Management Act of 1998 relates to Reasonableness of Rates and states the following:

Sec. (a). Each concessions contract shall permit the concessioner to set reasonable and appropriate rates and charges for facilities, goods and services provided to the public, subject to approval under subsection (b).

Sec. (b). A concessioner's rate and charges to the public shall be subject to approval by the Secretary. The approval process utilized by the Secretary shall be as prompt and as unburdensome to the concessioner as possible and shall rely on market forces to establish reasonableness of rates and charges to the maximum extent practicable.

The Secretary shall approve rates and charges that the Secretary determines to be reasonable and appropriate. Unless otherwise provided in the contract, the reasonableness and appropriateness of rates and charges shall be determined primarily by comparison with those rates and charges for facilities, goods and services of comparable character under similar conditions, with due consideration to the following factors and other factors deemed relevant by the Secretary: length of season,

peakloads, average percentage of occupancy, accessibility, availability and costs of labor and materials, and type of patronage. Such rates and charges may not exceed the market rates and charges for comparable facilities, goods and services, after taking into account the factors referred to in the preceding sentence.

The basic principle evident in Sec. (b) is the concept of comparability. This concept does not apply only to establishment of rates for concessioners in the national park system. It is used throughout the country for rate determinations in areas where an agency, commission, or other entity is required to approve or authorize rates for goods or services that might otherwise not have normal marketplace controls.

Concessioners may operate in an environment where there is little or no competition that would restrict or otherwise mitigate aggressive pricing.

When businesses are required to function under the approval of another entity they are known as regulated monopolies. The National Park Service is required by law (PL105-391) to be the regulator of concessioner rates. If rates are approved that are in excess of comparables, the National Park Service is culpable because of the legislated responsibility to approve final rates. The National Park Service may still approve a rate in excess of comparability under section (b) *"and other factors deemed relevant by the Secretary"*, which provides for the concessioner to receive compensation above comparability for operating expenses identified as in excess of comparable facilities. An example of this application is the adjustment to recapture utility charges demonstrated as being in excess of those paid by the actual comparables (see section on utility program). Other concessioner expenses may also result in rate adjustments, but such situations must be demonstrably supported and justified through proper documentation and must be approved by the National Park Service. If it is

determined that the additional costs are unnecessary or due to poor business decisions, the National Park Service may not approve additions to the comparable rate.

This manual will cover authorized methods and procedures for approving concessioners rates to the public, how to implement and conduct the procedures and processes to determine appropriate rates, and actions that a concessioner may take in appealing an NPS rate decision.

## DIRECT COMPARABILITY METHOD

Direct comparability relies on an actual review, analysis, and recommendation at the local level.

The direct comparability method is the most complex and widely used application that can be applied to a full range of concessioner services with the exception of gifts, souvenirs, groceries, and other merchandise. There are two variations of the Direct Comparability Method: Full Review and Limited Review.

### Method Description

Under the direct comparability method, the Superintendent is responsible for directly evaluating an array of generally similar business establishments, or *potential comparables*. From that group several are selected that are most similar to the concessioner and that will serve as the *actual comparables*. Once that step is completed, the approved rates for the concessioner may be established by comparison with the actual comparables' rates, taking into consideration appropriate operating differences as outlined in PL 105-391.

The purpose of the direct comparability study method is to correlate the concessioner's rates to those in the competitive marketplace and offset the possibility of monopoly pricing. By establishing approved rates for the concessioner based on a review of similar services operating under similar conditions, it is possible to ensure that the concessioners' rates are locally comparable.

Establishment of the concessioners' approved rates under this method involves (1) identifying those businesses that will serve as actual comparables based on the degree to that they are similar to the concessioner's operation and (2) a review of the concessioners' rates compared to rates charged by the actual comparables, taking into consideration operating differences.

Identification of comparables need not be done each time the concessioner proposes new rates. Comparables, once selected, may be used for several years, and the rate approval process can

proceed to a review of the proposed rates based on updated pricing information. It is important to verify that no significant changes have occurred in the operating conditions of either the comparables or the concessioner.

The National Park Service has two variations of the direct comparability method from which to select (**Full Review or Limited Review**).

The **Full Review** process actually requires an onsite visit to collect data. Typically the full review is used for more complex operations such as hotels, full-service restaurants, large marinas, and other operations where a thorough inspection of operating conditions and business impacts is only possible on location. **Full Reviews** are more time consuming than **Limited Reviews**, but the same information is gathered and evaluated using the same steps.

The **Limited Review** process, which permits the collection of the same data by telephone or through correspondence, is normally used for smaller, less complex operations such as snack bars, service stations, and small boat rentals. The **Limited Review** is also used to update information gathered by a **Full Review**.

A direct comparability review (**full or limited**) should be conducted every three years. At the end of the third year period and if no significant changes have occurred in the operating condition of the comparables or the concessioner then it may not be necessary for a **full review** to be conducted and a **limited review** would be adequate. During the interim years, rates may be adjusted based on an appropriate index. Indexing may only be utilized for two years. Immediately after indexing a **full or limited review** study would be required to re-establish base rates. As a result, indexing would shorten the time in between **full or limited reviews**. When utilizing the indexing method rates may rise or fall dependent on the index and should be explained carefully to the concessioner before indexing is utilized. The amount of adjustments should be dependent upon the concessioner's satisfactory performance.

The selection of actual comparables is the cornerstone of the process. Potential

comparables are any business enterprises or establishments suggested by either the concessioner or the Superintendent as a candidate. Potential comparables should be similar enough to the concessioner's operation to be used in approving rates. (Throughout this document whenever the term **comparables** is used refers to **actual comparables**. When referring to **potential comparables** the whole term is used.)

Actual comparables are defined as those businesses selected from the potential comparables. Their selection is based on analysis of all data collected to determine the degree of similarity to the concessioner's operation. Selection is the responsibility of the Superintendent and concessions management personnel. The determination must be based on a thorough analysis and must include supporting justification. If the concessioner disagrees with the selections, the decision may be appealed to the Regional Director.

Selection of comparables is followed by NPS review and formulation of recommendations for approval or disapproval of the concessioner's requested rate. This involves the direct comparison of the proposed concessioner rates and the quality or level of service with the rates charged for similar services by the comparables. The Superintendent should include a review of extra quality features (EQFs). These are additional attributes that add value. Extra quality features for both the concessioner and the potential comparables should be documented. The purpose of including EQF information is to more accurately determine the value provided by the concessioner relative to the comparables. This helps the Superintendent to determine where the concessioner's rates should fall within the range of rates charged by the comparables. Extra quality features are not intended to be used in the process of selecting actual comparables but only to analyze the variables between the actual comparables (see Appendix 8 for a list of applicable EQF).

Park areas can identify specific EQF information that has particular local applicability. To ensure program consistency and adherence to policies

and guidelines, EQF lists should be submitted to the Concessions Program Center.

Based on a review of the actual comparables rates and EQF, a comparable rate can be developed for each of the concessioner's services. The comparable rate is defined as the rate that would be approved by the Superintendent based strictly on comparison to similar operations outside of the park. Occasionally other factors come into play, and concessioners incur specific operating costs not shared by the comparables. P.L. 105-391 allows for consideration of *other factors deemed relevant* and for adjustment of rates based on those factors. Examples include added utility costs, additional transportation charges for food, gasoline, or other products due to distance from suppliers, or the cost of providing employee housing. The concessioner is responsible for providing the documentation to support requested adjustments. The Superintendent ensures that any such adjustments to the comparability rates are justified.

The direct comparability study method provides specific criteria to be applied in the selection of comparables for:

- overnight accommodations
- food and beverage service
- campgrounds
- Marinas
- Tour operations
- Gasoline service stations

In addition, examples of EQF specific to those types of businesses are included. The criteria established for each of the six types of operations identified should be used uniformly for all comparability studies in order to provide Servicewide consistency.

Development and application of additional EQF are left to the discretion of the Superintendent. This provides the latitude for consideration of individual or local operating circumstances and the identification of particular features that are considered important in a particular geographic area.

The level of review to be made is determined based on the information outlined under *Method Description*. The following 12 steps must be documented by the park when conducting a **full review**. When conducting a **Limited Review** as a stand alone process, you may eliminate steps 4 and 7.

**1. Determine Study Level.** Is it a full or a limited review?

**2. Develop a List of Potential Comparables.**

This step may not be necessary if the study is intended to update a full review. If it is a new full or limited review then the Superintendent and the concessioner should develop a list of potential comparables. The Superintendent must be very clear in explaining the difference between potential and actual comparables.

**3. Make Contact with Potential Comparables.**

This should be done as a courtesy to business people to be visited and can be done by telephone or in written correspondence. An appointment can be arranged and the purpose of the visit explained. This type of pre-contact can be valuable in paving the way for accurate information collection. For a limited review or an update of a full review, information collection can take place during this step.

**4. Visit Potential Comparables.** This step can be omitted for a limited review or for an update of a full review. Visits must be conducted in a professional manner with necessary aids to ensure accurate data collection. Concessioners may be invited to accompany NPS personnel on these visits.

**5. Compile Data Collected.** All the information collected through visits, correspondence, and telephone must be compiled and analyzed. If done properly this will result in the best possible selection of actual comparables. When conducting a full review the Superintendent is required to complete a comparability matrix as part of this analysis (The matrix is described in detail in Exhibit 6.)

**6. Select Actual Comparables.** Selection of actual comparables follows the analysis. In

general there should be at least three actual comparables.

**7. In-Depth Analysis of Actual Comparables.**

This step focuses entirely on the actual comparables selected. Other factors deemed significant and EQF are thoroughly reviewed as part of determining where the concessioner falls along the range of actual comparables. This step may be eliminated for limited review or an update of a full review.

**8. Rate Request from Concessioner.** Rate requests can come in almost any time agreeable to the Superintendent and the concessioner, but the actual rate request review is not addressed until in-depth analyses of actual comparables have been completed. Certain minimum standards for development of rate requests are to be expected and outlined to concessioners.

**9. Rate Recommendation to Superintendent.**

The rate recommendation should be written and include an executive summary of the process and the information collected. Some recommendations are long and complex, such as those for large operations in a big park like Yellowstone while others may be fairly simple and short for small business in areas such as Great Basin.

**10. Notification to Concessioner of Approved Rates.** This should be similar in form and contain the same information as the rate recommendation and include any change from the rates originally requested by the concessioner. All pertinent information should be shared with the concessioner

**11. Appeal.** Concessioners may appeal a Superintendent's rate decision to the Regional Director. An appeal is an official part of the rate approval process and the procedures previously outlined in the Overview section are to be followed.

**12. Print Approved Rates.** Approved rates are printed and copies are retained by the concessioner and the National Park Service.

## **Rate Approval Cosigner**

NPS concession management employees often face major challenges during the completion of initial rate approval studies using the direct comparability method. The initial study can be very confusing and demanding for both collateral duty employees and new full-time employees who have this responsibility. In order to ensure studies are consistent to established procedures a qualified co-signer should be requested.

The role of the co-signer is to provide support and advice during the study and to ensure the analysis is valid and recommendations are supportable. To qualify as a co-signer the employee must have at least three years experience in conducting rate approval studies following successful completion of training. They must be full time concession management employees and be familiar with the park and concession operation(s) in question. Co-signers can be staff members of other parks, regional offices, WASO, or the Concessions

Program Center. Studies conducted by those without proper training and experience would be invalid.

Collateral duty employees that have rate approval responsibilities must have their rate study reviewed and co-signed by qualified employee.

New full-time employees with rate approval responsibilities that have not received training in the Rate Approval Program must have their first official rate study reviewed and co-signed by a qualified employee and must continue with utilizing a co-signer until training has been received. Subsequent studies after that, a co-signer may be requested.

The Regional Concession Office can assist any park in identifying a possible co-signer.

## COMPARABILITY DETERMINATION CRITERIA

### Full Reviews:

The following criteria are used to determine comparability when using the direct/Full Review comparability method of rate approval. They apply to only the following types of operations: (For other type of operations you may need to develop important criteria.)

Concession Type	Criteria Number
Lodging	1-2-3-4-5-6-7
Food and beverage	1-2-3-4-6-8-9
Campgrounds	1-2-5-10-11
Marinas	1-2-3-4-12-13
Tours	1-14-15-16-
Gasoline stations	1-3-17

The specific criteria are:

**1. Competition.** Each comparable operation should have at least one competitor engaged in a similar operation (service, amenities) in the immediate area. More than two would be advantageous. Comparables should be in an area that is relatively free and unencumbered by permits and restrictions. Ownership of the comparable should be different from that of the concession operation. More competition ensures greater accuracy and fairness in the pricing approval.

**2. Seasonality.** One aspect of the level of comparability is the similarity of operating and visitation seasons in relation to the concessioner.

**3. Similar Area (lodging, food and beverages, marinas).** The degree to which a potential comparable is similar to the concessioner. differently and have different costs and average

**4. Similar Clientele (lodging, food and beverages, marinas).** A potential comparable should serve a clientele similar to that of the concessioner. The concessioner serves the vacationing public almost exclusively. Properties that serve a significant percentage of commercial or convention business normally operate

revenues than those that are more tourist-oriented.

**5. Occupancy Rate (lodging, campgrounds).** Ideally, a comparable facility's occupancy rate would be similar to the in-season occupancy rate of the concessioner.

**6. Facility Characteristics (lodging, food and beverage).** A comparable facility should be examined for several characteristics, including age, building type, and construction type. Some of the features of the building could be new, renovated, or original. Building type includes high-rise (three stories or higher), low-rise (two story), single-story attached, detached rooms, cabins, and tents. The construction types include masonry, steel, lumber, logs, canvas, and others. All these factors are important when comparing facilities to measure similarities in construction and maintenance costs.

**7. Similar Size (lodging).** Lodging facilities of varying sizes (numbers of guestrooms) can be used as comparables even though they probably have different costs of construction and different costs of operation. Ideally the comparable would fall within a similar size range as the concessioner.

**8. Similar Number of Restaurant Seats (food and beverage).** Comparability improves if the concessioner and the comparables have about the same number of seats as the concessioner. This can ensure similar operational costs and reflects the impacts that total seat numbers have on rates.

**9. Similar Menu and Number of Meals (food and beverage).** It is important that the park have a documented definition of the desired level and type of service and menu style established. The menus of the comparables should be similar (i.e., fast food, family type / full service restaurant, cafeteria, gourmet). This is important if the full review rate study or the limited review method is used. A potential comparable should serve the same meals (i.e., breakfast, lunch, and



dinner) as the concessioner. Any exception should be documented and made a part of the rate study.

**10. Similar Size (campgrounds).** Campgrounds of varying sizes (number of sites) can have different operating costs. Comparability improves if the concessioner and the comparable have about the same number of sites.

**11. Site Type (campgrounds).** Campgrounds may provide different areas to accommodate RV users and tenters or a combination of the two. To achieve maximum comparability, it is appropriate to compare the concession operation with just the segment(s) of the potential comparable's operation that it most resembles. Site types can be classified and described as primarily RV (high density, small sites that are close together, tent space lacking or minimal, hook-ups provided); primarily tent (access roads narrow or steep or lacking, few level sites, no large vehicle parking, few or no hookups); and mixed use (more than half of the sites are useable by RVs or tenters, average site separation 50 feet, hookups considered an EQF). Most NPS campgrounds are of this type.

**12. Similarity of Operations (marinas).** Length of boats, number of slips, security and protection, type of boats, repair and launch facilities, utilities, dry storage, and transient use should be reviewed.

**13. Construction Characteristics (marinas).** The construction type of the dock (floating, pilings, metal, wood), weather protection, and breakwater should be reviewed.

**14. Similarity of Operations (tour operations).** The concessioner and potential comparable should use the same type of equipment (car/van, bus, tram, boat) and preferably the same type of power and fuel. These affect the initial investment and ongoing operating costs for various kinds of equipment. Additionally, the concessioner and the potential comparable should provide the same type of guide service, whether live narrative or tape recording.

**15. Tour Length (tour operations).** Tour comparables should be based upon the length of the tours (2-hour, 2-day, or full day). Ideally, extended tours would not be used as comparables for tours of a short duration because fixed costs could vary. When evaluating 1-day tours, significant cost factors include the time and distance traveled to provide the tour. Ideally the concessioner and comparables would have similar factors.

**16. Locally Important Criteria. (concession activities)** Because of the wide variety of services and activities unique to parks, it is appropriate for the local park to identify certain **local** criteria for comparability. The criteria should specifically identify the desired levels of service or equipment. Samples of local criteria may include the type of tour operation being provided, the level of narration provided, length of the tour, the type of equipment i.e. size and type of windows, engine noise and amenities such as air conditioning, engine noise, food or snacks provided, and restrooms on board

**17. Type of Service (gasoline stations).** Service stations are available in several different configurations, such as self or full service or a combination. Some are associated with convenience stores, while others are more traditional but offer varying level of mechanical or repair services. The comparable should closely resemble the type of services that the concessioner provides.

### **Limited Review:**

When conducting a Limited Review as a stand-alone method, the only mandatory criterion is "competition". It is also recommended that other suitable criteria shown above be used or that it be developed locally.

When using the **Limited Review** process to update the **Full Review** information for actual comparables, simply update the information previously collected during your visits by utilizing the phone.

## MERCHANDISE PRICING METHOD

Approved prices for retail merchandise are established by applying approved markup percentages to product costs. This method of rate approval should only be used for retail products and not for service-related items for which quality or amenities are factored into rates. This method should not be used for food and beverage items, marinas, overnight accommodations, transportation, or campgrounds.

This rate approval method uses percentages that have been obtained through a nationally recognized source (the Convenience Store News or Consumer Price Index (CPI) published by the Bureau of Labor) to ensure comparability with the private sector. Some variance from the published percentages can be allowed under certain circumstances and can be approved on a case-by-case basis by the park superintendent.

### DETERMINING RETAIL PRICE

Markup percentages, markon, keystone, gross profit margins, net profits, and other terms can be confusing to those without a retail background.

Markon percentages and markup percentages are closely related. Markon is rarely used in the retail industry and is found almost exclusively in grocery store operations. Markon represents that percentage of the selling price that is profit. Markup, which is commonly used in retail operations, is the profit percentage that is added to the product cost to establish the selling price.

Markup percentages are broken down into merchandising categories. Some merchandise sold by concessioners may not be listed or might fit into more than one category. The Washington Concession Office will provide assistance in determining the designations. Concessioners who operate in more than one park sometimes use different categories for the same merchandise to determine retail rates. It is

important to identify those discrepancies so that the percentages can be applied consistently. The Washington Office should be contacted with these discrepancies so that a final determination can be made and information can be provided to all affected parks.

The markup percentage list is distributed annually, normally at the beginning of the calendar year. Only the most current markup percentages should be used for rate reviews. Concessioners should be given copies of the updated percentages quickly so those new rates can be implemented. Concessioners and NPS staff should agree on a reasonable implementation period and the agreement should be documented in the rate files. (The concessioner should be given a copy of the documentation).

The following example outline the formulas for markup and markon percentages:

Assumptions used in this exercise:

Product cost X \$4.50

Selling price X \$6.00

Approved markup percentage X 33%

Approved markon percentage X 25%

### Markup

The percentage of cost that is profit is determined by subtracting the cost from the selling price, as:

Selling price - cost = profit  
Profit) /cost = markup

For example:

\$6.00 (selling price)  
-4.50 (cost)  
1.50 (profit)

$\$1.50) / \$4.50 = 33\%$  (markup)

To determine selling price from the approved markup percentage:

$$\text{Cost} \times (1 + \text{markup}) = \text{selling price}$$

$$\$4.50 \times 1.33 = \$5.985 \text{ (selling price rounded to \$6.00)}$$

### Markon

To determine the percentage of selling price that is profit:

$$\begin{aligned} \text{Selling price} - \text{cost} &= \text{profit} \\ \text{Profit} / \text{selling price} &= \text{markon} \end{aligned}$$

For example:

$$\begin{aligned} &\$6.00 \text{ (selling price)} \\ &\underline{-\$4.50 \text{ (cost)}} \\ &\$1.50 \text{ (profit)} \end{aligned}$$

$$\$1.50 / \$6.00 = 25\% \text{ (markon)}$$

To determine the selling price from the approved markon:

$$\text{cost} / (1 - \text{markon}) = \text{selling price}$$

$$\$4.50 \text{ (cost)} / 1 - .25 \text{ (markon \%)}, \text{ or}$$

$$\$4.50 / .75 = \$6.00$$

Rounding is acceptable and common. The approved procedure for rounding should be used in merchandise pricing.

Retail Price	Round to Nearest
Below \$10.00	\$0.05
\$10 to \$24.99	0.10
\$25 to \$49.99	0.25
\$50 to \$99.99	0.50
Over \$100.00	1.00

For example, if the wholesale cost is \$ 6.23, the retail price after 120% markup would be \$13.71, so the approved retail price after rounding would

be \$13.70. If the wholesale cost is \$101.26, retail price after 100% markup would be \$202.52, and the approved retail price after rounding would be \$203.00.

### VARIATIONS FROM LISTED PERCENTAGES

The percentages provided on the approved markup percentage list are the upper range of profitability and should be used as a maximum allowable percentage.

Comparability may be achieved where retailers in a particular area price items above or below the national markup/markon percentages. This can be documented by contacting retailers in the area, and rates can be adjusted by using a limited review process, but this should be the exception and not the rule. Retail outlets have too many different types of merchandise that would have to be reviewed continually to allow this method as a routine way of approving rates.

Use of manufacturer's suggested retail prices are generally discouraged. These prices are frequently used as a marketing technique in which items are marked with a suggested price but sold at a lower price in order to appear as a bargain. It is more accurate to approve merchandise rates using the standard merchandise pricing method. Items that are universally sold at a factory printed price, such as magazines, paperback books, newspapers, film, candy bars, and some snack foods can be sold at the pre-marked price. The concessioner must be able to demonstrate that these items are nationally marketed at the same rate.

Unusual items or those that are not marketed in a routine manner or do not fit into the normal pricing practices may be priced using the limited review process. Antiques could fall into this category.

### PRODUCT COSTS

Merchandise on hand at the time the wholesaler announces a price change may be revalued to reflect new wholesale costs, and retail prices can be adjusted accordingly. Invoices showing price increases on these items can be used for documentation.

Cash discounts of 5% or less do not have to be deducted from normal product costs. The normal product cost must be reflected on the invoice, and the discount amount must be clearly indicated. Even if a discount of more than 5% is offered, only 5% may be used in calculating the retail price. Discounts above 5% are regarded as a reduction in the wholesale price on which the markup is based.

Documented freight costs may be added to the product cost prior to applying the markup/on percentages. The concessioner must produce explicit documentation for these expenses. An option for the concessioner is to accurately identify average annual freight costs. With NPS approval the concessioner may propose a fixed freight cost to be added as a percentage of the wholesale cost. This method allows a concessioner to keep the same prices on hundreds of items throughout the year as restocking shipments come in with slightly different freight costs. Adjustments are necessary each year (see Exhibit 7 for details).

Warehouse charges may not be added to the product cost. These charges are the normal labor and other expenses incurred by the concessioner in handling merchandise in storage and in sales outlets. Freight charges may not be added to product costs for delivering merchandise from the concessioner's warehouse to the point of sale (gift shop). Warehousing expenses can be recouped through increased sales volume due to lower retail prices, revalued merchandise due to documented wholesale price increases, and convenience and availability of products.

Concessioners may take advantages of volume discounts offered by suppliers. When requested by the National Park Service, the concessioner must provide documentation of volume discounts (the invoice and the corresponding check). This discount should be clearly documented on the invoice along with the normal wholesale cost. Markups should be based on purchase prices for the quantity that the business would normally purchase in order to keep the product in stock.

## **COMPLIANCE REVIEWS**

Compliance reviews or rate checks should be conducted in conjunction with the operational review program to ensure that concessioners are in compliance with merchandising rate approval requirements. Guidelines and assistance in conducting these reviews can be found in the *Concessioner Review Program Manual*.

## CONTRACT SPECIFIED RATE METHOD

This method provides a process for approving and annually adjusting rates in many situations. Once the contract has been written or amended as described, the procedure for annual rate changes is the same as the indexing method, which follows.

The three steps involved with this method are (1) establishing the initial base rate, (2) writing or amending the contract to accommodate the method while very specifically spelling out the exact index to be used (see Indexing as described in Other Methods), and (3) following up each year, adjusting the rate for indexing as spelled out in the authorization.

Indexing is not to exceed five years before reestablishment of the base rate.

The specified rate method is intended to be used when comparables are not readily available and/or when there are a limited number of services and a simple rate structure for each of the services identified in the contract. The method should have practical application for unusual services such as seaplane rides, mountaineering services, river running operations, swimming pools, golf courses, bathhouses, interpretive services, and others.

This process should be determined to be administratively advantageous to the National Park Service because it eliminates the annual need to conduct comprehensive rate approval reviews on activities and services that do not have adequate representative comparables. In many cases concessioners favor this method because it provides a definitive process that they can use when determining annual and projecting future rates. It also requires minimal preparation prior to establishing new rates. Once the appropriate Consumer Price Index is known, the concessioner will be able to immediately determine the new rates (see Other Methods).

### **Establishing the Initial Specified Rate**

The NPS representative making this determination should use any reasonable means

to establish a rate that will be fair to visitors and provide a reasonable opportunity for a profit to the concessioner. A current rate that is considered reasonable can be used as a base rate. An economic feasibility study or financial analysis may be necessary in determining a base rate. The superintendent could request assistance from the Regional office or the Concessions Program Center.

**New Authorization.** Once the NPS-proposed rate has been established, it can be published in the prospectus as the base rate. The prospectus could allow applicants to propose a rate different from the amount issued in the prospectus. If a new rate is proposed, the submittal must justify any increase over the proposed base. This justification should never modify the scope of the services identified in the prospectus. In such situations the prospectus must indicate that lower rates are considered more responsive.

The following prospectus language should be included when using this method:

Inasmuch as there are no comparable services in the area of National, the rates charged shall be those approved in this contract and subject to change annually. The maximum approved rate shall be adjusted annually to reflect the rise or fall in the U.S. Department of Labor, Bureau of Labor Statistics, Consumer Price Index (CPI)-“All Urban Consumers” covering the same period. If the CPI figure for the month of January of the year following the effective date of this contract shall show either a rise or fall from the index figure for the month of January of the preceding year, the maximum rates shall be correspondingly increased or decreased for the succeeding 12-month period, commencing on the 1st day of April, to the nearest (quarter, half, or one) dollar figure representing the percentage difference of increase or

decrease of the current January index figure.

Likewise, similar recalculations of the rates to be used shall be made using the CPI index for the month of January in each succeeding year. In each instance, the figure shall be compared with the figure of the proceeding January and an adjustment made for the next succeeding 12 months in the manner aforesaid.

The National Park Service (proposes) (requires)\_\_\_\_\_ as the rates for the calendar year beginning on the execution date of this contract. All prospective offerors responding should submit proposed rates along with justification and financial rationale to substantiate the proposal. If the justification and rationale are not deemed appropriate, the National Park Service will respond by establishing the maximum rate. The lowest rates possible under the circumstances described in the prospectus while maintaining a reasonable opportunity for a profit are preferred and will be judged as more responsive. Under the same circumstances, lower rates than those currently charged by the operator for the service provided are also preferred.

When this method is to be used, rate(s) proposed by the offeror should be considered. This will provide competitive rate proposals. Should the proposals or the best proposal have a rate lower or higher than the NPS-proposed rate, the rate could be determined through negotiation.

Should all of the proposed rates be considered not reasonable, too low or high, then the proposals may be treated as any other prospectus where no satisfactory proposals were made. However, if this is a qualified concession contract, preferential right for renewal would not be affected.

The National Park Service can either pre-establish the base rate or permit offerors (within certain limitations) to identify and suggest, in competition with other offerors, the base rate as part of an offer to a prospectus.

### **Existing Operation**

When it has been determined that this method will be used and a prospectus is issued, the same procedures and prospectus language can be used, but the preferential right for renewal will figure into the final selection of a successful offeror (assuming that the concessioner has submitted a responsive bid). If there is a satisfactory concessioner who has submitted a responsive bid, that concessioner shall be given the right to meet the proposal of the better offer. (36CFR Part 51.32)

A valid contract may be amended to specify a new rate. In areas where a contract has three or more years before expiration and when mutually agreeable, the Superintendent may amend the contract. A contract amendment requires a substantial NPS effort. In some situations, it is in the government's and/or park visitors' best interests to amend the contract. Decisions for amendments should be considered on a case-by-case basis.

## COMPETITIVE MARKET DECLARATION PROGRAM

This rate method reduces the administrative burden of rate approvals where the concessioner operates in a competitive market, where the concessioner derives no competitive advantage from the location on park land, or when prices for items or services are routinely negotiated between the buyer and seller. Parks are encouraged to give this process strong consideration as a means of simplifying the rate approval process when it can be justified. Examples of when a business would qualify follow:

### COMPETITIVE MARKET SITUATIONS

The following three scenarios are representative of situations where a competitive market declaration could be used.

#### Competitive Market

A highly competitive market nearby could require that the concessioner compete with other businesses, which would ensure market pricing. A concession restaurant in an urban park may compete directly with other nearby restaurants and have little or no competitive advantage due to location. On the other hand, a marina on the same property could enjoy a substantial competitive advantage if it provides the only access to a nearby body of water. There could be a competitive market for overnight accommodations adjacent to a park while a park location could still provide a competitive advantage if many visitors want to stay in the park.

#### No Competitive Advantage

For example, sales of antiques may derive little or no competitive advantage from being in a park, since individuals often travel substantial distances to obtain antiques, and the place of purchase is of less importance than the character of the item.

#### Prices Routinely Negotiated

The price of consignment items, antiques, boats, and many other products is often negotiated between the buyer and seller.

### INITIATING A COMPETITIVE MARKET DECLARATION

The decision to use a competitive market declaration should not be made lightly, as it reduces the superintendent's control of the concessioner but does not reduce the responsibility for ensuring that rates are fair and reasonable and in accordance with the law. The decision-making process must be well documented and should provide a thorough justification for this method of rate approval.

The declaration should be included as part of the approved rate schedule. The format of the declaration may be adjusted to meet individual needs and circumstances; however, it should include as a minimum a statement to the effect that:

- (1) The concessioner operates in a competitive market and derives no advantage from being in the park, and competitive market forces are the determining factor of the concessioner's rates.
- (2) The concessioner's rates may be adjusted without the specific approval of the superintendent but are subject to review to ensure that they remain reasonable in comparison to similar services offered outside the park.
- (3) The declaration must be reviewed annually and the use of this method may be rescinded if the situation changes.

See Exhibit 5 for an example of a declaration and a rate schedule sheet.

## OTHER METHODS

There are two other methods that can be used to establish concessioner rates. Prior to use, approval must be granted by the regional office and assistance must be provided by either the regional office or the Concessions Program Center. The methods are discussed in detail below.

### FINANCIAL ANALYSIS METHOD

As a last resort, the financial analysis method could be used to approve rates. This method relies on a financial review conducted by the Concessions Program Center when a decision is made by the support office and the park to request this method.

### INDEXING METHOD

Index pricing is an easily implemented procedure for approving or adjusting concessioner prices on an interim basis. It does not eliminate the need for periodic rate approval. Index pricing can reduce the administrative burden on both concessioners and NPS personnel by eliminating the need for an elaborate study to permit an adjustment. An example of index pricing may provide a clearer understanding:

In April 1998 the concessioner requests a price increase to \$57.50 per night for a double room in the hotel. The most recent approved price for a double room is \$56.00, which was approved in January 1997 through a direct comparability study. The superintendent could refer to a CPI price index (Lodging Prices While Out of Town) that indicates that from January 1997 to January 1998 those lodging prices have increased by 72%. On this basis, the concessioner would be entitled to \$60.20, a 72% increase over the old price. Therefore, the superintendent could approve the requested price of \$57.50. At the same time, the concessioner requests that the price of the fish platter, established in January 1997, be increased from \$10.00 to \$11.25. The superintendent determines from the CPI price index (Food Away From Home) that those food prices have increased 8.2% over the period from

January 1997 to January 1998. On this basis the superintendent denies the requested increase to \$11.25 and approves instead a price not to exceed \$10.82, or an 8.2% increase.

Concessioner rates approved using the indexing method are good for two years. They may not be indexed for a third year; another method must be used. Indexing may only be used repetitively when the original method used was the contractual specified method of rate approval. This requirement is necessary in order to (1) ensure that concessioner prices do not move significantly out of line when compared to prices in the competitive local economy and (2) to limit the continued use of the more easily administered but less appropriate indexing method.

The index pricing system is a method used to alleviate the burden of other pricing methods on both concessioner and NPS personnel. It is not a panacea and cannot be used in every instance. It allows concessioner prices to be adjusted more frequently in special circumstances with minimal administrative burden. The indexing method is an integral component of the specified rate method of authorization and is the one exception of permitting a repetitive use of indexing. (Refer to specified rate method section of this manual for additional information.)



## **EXHIBITS**

## EXHIBIT 1 CORE MENU RATE APPROVAL PROCESS

The core menu concept has been developed to provide a more fluid and professional procedure for approving food and beverage rates for park concessioners. In the past the establishment of comparable rates for food and beverage operations required more in-depth analysis by the National Park Service than other services. This was due to the overall complexity and multiple variables that are a part of the food and beverage industry.

In recognition of the cumbersome approach required to properly address the establishment of appropriate menu rates, format and content using the direct comparability (full review) method, the concept of establishing a core menu has been developed as an **option** for use by NPS concessions management officials. The determination to use and/or continue using the core menu method is one that should be determined from consultation and agreement between the park and concessioner. ***If factors surface such as the level of agreement between the park and concessioner or other factors considered significant to the overall quality and integrity of the process, the park has the responsibility and authority to divert back to the use of the full review process of rate approval.***

### Establishing Comparables

The knowledge of the park staff and concessioner can be utilized to help locate appropriate businesses. These businesses should be located in the same geographic region of the concession facilities. Concessioners may recommend potential comparable facilities/services, however final selection of comparables rests with the park Superintendent.

#### (a) Selection Factors

Competition is the only selection factor that must be considered and those food establishments being considered as potential comparable must have at least two or more competitors. Special screening and consideration factors, such as similar services, facility and clientele, may also be established by the park to help evaluate the

similarities of the establishments being considered.

Parks need to pay special attention to those food establishments that are clustered in an area or location, such as resorts, where demand exceeds availability and rates are higher than those found in more competitive areas.

#### (b) Collection of Data

Once the comparables are selected, the core menu process permits the development of the core menu. All that is required at this point is the acquisition of the comparable's menus.

### Core Menu Development

The basic core menu should be developed before the comparability review is conducted. The core menu is intended to identify those specific food categories and items that are standard on the comparable menus and that should be reflected on the concessioner's menu.

The core menu should be developed locally and should be representative of the needs and expectations of park visitors in that specific area.

It should include a predetermined number of popular food and beverage selections. These selections cover food categories such as entrees, (beef, fish, fowl, pork, vegetarian, etc.), beverages, desserts, salads, appetizers, etc. and items that are regionally expected and offered in similar facilities. The basic core menu is established when the above are documented. Core menu application is not appropriate for activities that include food as part of a package deal such as river running, mountain climbing and backcountry operations.

### Non-Core Menu Items

After the core menu items have been established, the concessioner is permitted to add additional items to the core menu without the need for a detailed park analysis. However, the rates for these additional items must still be established within the philosophy and concept of

comparability and recognition of the market. The concessioner is charged with the responsibility for setting non-core rates consistent with the established comparables. If the park questions rates of non-core menu items, the concessioner should be prepared to justify the rates set and show how the rates were determined.

**In situations where the concessioner does not demonstrate reasonable sensitivity to the comparable marketplace, the park has the option to return to the direct full review comparability method of rate approval.**

By federal law the National Park Service is required to approve all concessioner services, products and rates. The National Park Service will not normally take any action beyond review and acknowledgement of the non-core menu rates and portions if the concessioner uses a positive approach in establishing sensitive rates.

With an appropriate core menu it should not be necessary for the park to be concerned with minor or subtle pricing variations in the remainder of the menu. The core menu meets the NPS responsibility for meeting the requirements of the law by furnishing appropriate rates to the public while providing added flexibility and opportunity for creativity to park concessioners and ease of management to the National Park Service.

**Rate Approval Process**

Before prices are approved, an approval and agreement of the actual menu format and content must be established to ensure appropriate identification and menu placement of those core items.

The following outlines the details on how to structure and manage food and beverage rate approvals through utilization of the Core Menu Rate process.

**A. Type of Food Service**

When the rate review is conducted, the type of food service will be identified. Some examples of service types usually found in parks are:

Full Service Restaurants – This category includes restaurants ranging from small casual facilities with limited menus and table service to large formal gourmet operations that offer extensive and elaborate services and menu selections. Often, food service facilities in parks fall between these two extremes and similar comparables should be used. While the comparable or the concessioner may provide singular service types or different food options, it is important that the primary service style and menu be similar. For example, either may offer occasional buffets, seasonal features, traditional selections of the immediate area or package plans in conjunction with lodging or other promotions, but the standard menu and service style should be similar.

Coffee Shops – Usually limited menus/sit down and take-out food service operations.

Cafeteria – This includes operations that permit the customer to view and select from individual a-la-carte items as they pass through a serving line. The items are usually individually priced. A cafeteria usually offers specials that may provide a lower overall price when a set number or selection of items is chosen.

Fast Food & Snack Bar – May be table or counter service/walk up or waited/limited menu/eat-in or take-out.

Gourmet Fine Dining/Specialty/Limited/Ethnic

– Operations that have been established for catering to special food service needs (i.e. special selected and prepared items that may only meet the interests, needs and/or requirements of a small number of the general public). These operations are often located in parks which also offer standard food service; however, there may be a few situations where this may be the only service type offered by the park. A menu item from this type of facility may also be found on the other standard type of menus.

Other Facilities – These can be take out, limited seating and/or prepared food service operations

in a setting such as a grocery store, service station, or other environment where prepared food is not the primary product offered.

## B. Determine the Core Menu Rates

After the core menu is established as outlined above, the approval of rates should be relatively simple using the originally selected comparables. You may simply average the core menu item rates on the comparable menus and use that average as the approved rate. It is unacceptable to establish rate ranges and then approve only the high-end rates for menu items. The rate review process combined with the core menu concept produces an inventory of similar items at similar prices.

The core menu should also be reviewed to verify that selections of a national interest or expectation and items required for normal health considerations are included. Examples include salads, low calorie/low fat selections, grilled or baked fish and chicken selections, pastas, vegetables, etc. Local and regional selections are usually limited. The comparables menus can be used for approving the special needs and local/regional item rates.

Other items made available outside of the core menu do not usually require a significant level of review, but even with the core menu concept it is still necessary for the National Park Service to grant approval for non-core rates. This approval does not denote anything other than the recognition of the type of items on the menu. This is important to ensure that the configuration of the total menu is acceptable and that the park knows basic data of portions and rates. The additional menu offerings permit the concessioner the opportunity to be innovative. It also provides a reasonable means of merchandising without the need for item by item NPS comparability. It retains the visitor's ability to have a reasonable selection of items (core menu) at comparable rates.

The following sample outlines the Core Menu Rate process for a full-service restaurant. Other types of food service operations may be of a

different size and have different types of menus and menu items, but the **Core Menu Rate process should include the following:**

1. Concessioner has requested a rate increase. The concessioner's proposed rates and menu items are a matter of record at this point.

The first step to take is to review the menus of the selected comparable's and identify those **food categories** that are generally found on each. Some specifics that may be included are:

Menu Layout	Other
Appetizers	Children's menus
Salads and soups	Senior citizen menus
A-la-carte items	Alcoholic beverage menus
Entrees	
Sandwiches	
Desserts	
Beverages	

Where applicable, these categories will be included for each meal period being reviewed (breakfast, lunch, and dinner).

2. Next, review the menus of the established comparables and identify those **food types** that are made available by most of the comparables (fish, fowl, pork, beef, pastas, diet, etc). Confirm that similar food types are on the core menu.

3. After establishing the food types then you need to identify the actual **food items** in the core menus. These items are routinely found on the majority of the comparable menus. Some portion sizes and special feature information should be collected for general reference. Other than those items that are typically described at a certain portion size on the menu (meats and some beverages) the approval of core and non-core items do not have to be tied to specific portions. The concessioner should have some leeway, especially on side dishes, to be creative in presentations and combinations. Adequate portion sizes must be provided by the concessioner. Failure on the part of the

concessioner to provide reasonable portioning will result in an “A” deficiency on the operational periodic review.

The following listings reflect examples of food items that are found on most menus for each meal.

Attention should be given to selections of national interest or expectation and items necessary to satisfy normal health considerations. These should be included on the core menu even if not found on the comparable menus.

The last food item(s) to be added to the core menu are those items that are considered local or regional or those that meet the park’s theme. There are usually only a few items of this type. While desirable, these items are not essential. They may be represented as a part of the non-core menu development by either the concessioner or the park.

**Breakfast:**

Juice (selection of two to three)  
Eggs (Any Style) Grade A-Large  
Bacon (three strips) or Sausage (two patties)  
Grits or Potatoes  
Toast or Biscuits  
6” Pancakes (two to three)

A-La-Carte  
Hash Browns  
Grits  
Order of Toast (2-slices) w/butter/jam  
Bacon (3 slices)

Coffee (Decaf or Regular)

**Lunch:**

Soup (8 oz cup/12 oz. Bowl)  
Garden Salad (1 to 1.5 cups mixed greens, tomato, onion, etc.)  
Hamburger (6 oz.) (lettuce, tomato, onion, mayonnaise, etc. on sesame seed bun) served with fries  
Fish Sandwich (5 oz. Natural filet) (lettuce, tomato, onion, mayonnaise, etc. on sesame seed bun)/served with fries (4 oz.)  
Dessert  
Soft Drink

**Dinner:**

Fried Mushrooms (4 oz.)  
Soup (8 oz. cup /12 oz. bowl)  
Garden Salad (1-1.5 cups mixed greens, tomato, onion, etc.)  
Tuna Salad (6 oz. Tuna on mixed greens w/tomato and egg slices  
Strip Steak (12 oz. USDA Choice), served with choice of potato, garden salad, bread/butter  
Dessert  
Soft Drinks (12 oz. Free refills) (both regular and diet)

**Summary:**

If the procedures outlined above are followed, park visitors will be provided with a selection of food items at reasonable prices guided by both the comparability process and market place consistent with public law

## EXHIBIT 2 INDEXING

### Price Indexes

A price index is a ratio of related prices for commodities or groups of commodities to prices in a base year. For instance, the consumer price index for all items for urban wage earners and clerical workers for 1967 through 1982 was:

YEAR	CPI	YEAR	CPI
1967	100.0	1975	161.2
1968	104.2	1976	170.5
1969	109.8	1977	181.5
1970	116.3	1978	195.3
1971	121.3	1979	217.7
1972	125.3	1980	247.0
1973	133.1	1981	272.3
1974	147.7	1982	288.6

Prices in subsequent years are relative to the base year (1967); prices in 1973 were 33.1% higher

than they were in 1967. The percentage change in prices (inflation rates) can be calculated by dividing the change in the index over a period of time by the index at the beginning of the same period. The change from 1970 to 1977 was:

$$\frac{181.5 - 116.3}{116.3} = .5606 \text{ or } 56.1\%$$

### Application of Price Indexes

The Consumer Price Index (CPI) for Urban Wage Earners and Clerical Workers, on which the index pricing system is based, is compiled by the Bureau of Labor Statistics of the Department of Labor. Cities and regions are broken down into certain specific data bases and categories for specific products and services are established. The CPI detail indexes for specific products and services offered by NPS concessioners are identified in the chart below.

NPS Concessioner	Corresponding CPI Index
Restaurants (food service)	Food away from home
Restaurants (alcoholic beverages)	Alcoholic beverages away from home
Lodging	Lodging while out of town
Retail sales	Retail sales
Grocery items	Food at home
Housekeeping	Housekeeping supplies
Clothing	Apparel commodities
Newspapers, magazines, etc.	Reading material
Sporting goods	Sporting goods and equipment
Souvenirs	Toys, hobbies
Tobacco products	Tobacco products
Personal care products	Toilet goods and personal care appliances
Photographic sales	Photographic supplies and equipment
Nonprescription drugs and medical supplies	Nonprescription drugs and medical supplies
Bus transportation	Intercity bus fare

The Consumer Price Index and associated indexes are computed and available monthly, are found in a number of government publications, and are usually available with a three-month lag period. Monthly data makes an index pricing system with a practical time resolution possible.

A sample of one of the pages from the *Monthly Labor Review* report follows. The Concessions Program Center will provide the regional offices, support offices, and park with a copy of the statistics on request. Each page contains the Consumer Price Index for specific cities and for regions under the Bureau of Labor Statistics. Each region is further broken down by population size as follows:

Class A	1,250,000 and above
Class B	385,000B1,250,000
Class C	75,000B385,000
Class D	Below 75,000

Cities and regions close to the park should be chosen to aid in determining which Consumer Price Index to use.

Instructions and price index worksheets for calculating rates appear at the end of this appendix. When concessioners submit price increase requests, the superintendent should break out the request by type of business (e.g., lodging, food service). The initial application of indexing involves an update of previously approved prices and does not establish rates on a first-time basis. The inflation adjustment is computed as the percentage change in the relevant index from the month and year of the request. If the requested percentage price increase is less than the increase in the index, then the increase would be allowed, but if the request is for more than the increase in the index, the request would not be approved unless it was sufficiently justified.

Price increase requests greater than prices established by indexing rather than another price approval method (direct comparability, merchandise pricing, contract/permit specified rate and competitive market declaration) would be judged on the same basis. The only

computational variation is in the price index reporting lag. The percentage change in the price index should be calculated from the index at the time the earlier prices were granted as compared to the most recent index for the current requested increase. For example, if the prices of food away from home in the West were:

DATE	INDEX
August 1978	108.8
June 1979	118.8
August 1979	120.3

The concessioner established a price of \$3.00 for a fish platter in August 1978 through the direct comparability rate approval method and in July 1979 requested a price increase to \$3.25 (an 8.3% increase). The most recent price index available is the June 1979 figure of 118.8 or a 9.2% increase over the index in August 1978. Since the concessioner's proposed rate increase is less than the index, the request is granted and a new price of \$3.25 is approved. If the concessioner's requested increase had been greater than the increase in the index, the request would have been limited to the percentage rise in the index.

If the concessioner were to request an increase from \$3.25 to \$3.35 in October 1979, it would be determined that the last price was established in July 1979 and was based on the price index from June 1979. The increase in the index from June to August (the most recent index available) would be calculated and the increase determined to be 1.3%. Since the requested increase is 3.1%, greater than the increase in the index, the increase would be limited to \$3.29.

Concessioner rates approved using the indexing method are good for two years. They may not be indexed for a third consecutive year; another method must be used. Indexing may only be used repetitively when the original method used was the contractual specified method of rate approval. This requirement is necessary in order to (1) ensure that concessioner prices remain comparable to prices in the competitive local economy and (2) to limit the continued use of indexing method.

## MONTHLY LABOR REVIEW REPORT

Consumer Price Index X Urban Wage Earners and Clerical Workers: selected areas, selected items  
December 1977=100 unless otherwise noted

Area	Other Index Base	Food away from home						
		Aug 1982	Mar 1983	Apr 1983	May 1983	June 1983	July 1983	Aug 1983
U.S. city average	1967	311.8	319.7	321.3	321.9	322.5	323.0	324.3
Anchorage, AK	10/67	X	296.7	X	297.5	X	298.9	X
Atlanta, GA	1967	313.1	X	321.6	X	322.7	X	324.2
Baltimore, MD	1967	X	328.3	X	336.2	X	337.0	X
Boston, MA	1967	X	277.1	X	278.3	X	286.7	X
Buffalo, NY	1967	296.5	X	280.7	X	281.1	X	283.0
Chicago, IL	1967	291.3	299.4	300.3	298.8	298.8	298.8	298.8
Cincinnati, OH	1967	X	303.6	X	306.5	X	304.3	X
Cleveland, OH	1967	309.7	X	317.0	X	321.7	X	335.0
Dallas/Ft. Worth, TX	1967	331.2	X	350.8	X	350.8	X	357.2
Denver/Boulder, CO	1967	X	316.7	X	321.0	X	326.4	X
Detroit, MI	1967	281.9	285.4	285.4	283.0	282.0	282.8	283.0
Honolulu, HI	1967	298.9	X	313.8	X	312.5	X	312.4
Houston, TX	1967	368.0	X	373.2	X	377.1	X	376.9
Kansas City, MO/KS	1967	309.3	X	313.2	X	316.3	X	321.0
L.A./Long Beach, Anaheim, CA	1967	308.2	319.1	319.2	320.1	322.7	323.3	323.9
Miami, FL	11/77	X	173.6	X	174.1	X	174.2	X
Milwaukee, WI	1967	X	332.9	X	334.2	X	334.9	X
Minneapolis/St. Paul, MN	1967	339.3	X	359.6	X	356.9	X	359.7
NY/Northeastern NJ	1967	302.3	307.7	310.2	312.2	312.1	311.9	312.7
Northeast Pennsylvania, PA	1967	X	271.3	X	273.8	X	276.9	X
Philadelphia, PA	1967	385.9	388.8	392.5	393.0	396.9	399.1	402.7
Pittsburgh, PA	1967	318.2	X	328.5	X	329.2	X	329.6
Portland, OR	1967	X	325.8	X	325.6	X	331.0	X
St. Louis, MO	1967	X	296.9	X	297.9	X	299.5	X
San Diego, CA	1967	X	405.8	X	408.9	X	410.3	X
San Francisco/Oakland, CA	1967	298.4	X	305.6	X	306.2	X	312.0
Seattle/Everett, WA	1967	X	304.8	X	305.7	X	311.8	X
Washington, DC, MD/VA	1967	X	321.8	X	324.5	X	321.1	X
Region								
Northeast		150.1	X	154.1	X	155.0	X	156.2
North Central		148.0	X	151.8	X	151.5	X	152.3
South		152.7	X	158.2	X	159.2	X	159.3
West		156.2	X	161.9	X	162.9	X	164.1



Provided as a sample only. Contact CPC for current statistics.

### EXHIBIT 3 X INDEX PRICING WORKSHEET

Concessioner	Date
Location	NPS initials
Specific items	

	Item Price (A)	Date of Column A (B)	CPI (C)	Date of Column C (D)
(1) Proposed				
(2) Previous				
(3) Line (1) minus line (2)				
(4) Line (3) divided by line (2)	%			

If line (4) column (A) is greater than line (4) column (C), see below. Otherwise enter the requested price on line (9) below.

(5) Enter amount on line (2) column (A)

(6) Enter amount on line (4) column (C)

(7) Multiply line (5) by line (6)

(8) Add line (5) and line (7)

(9) Approved Indexed Price

## INDEX PRICING WORKSHEET INSTRUCTIONS

Complete the required information regarding concessioner, date, location and specific item to be priced, then initial the form in the space provided. The Aall items $\equiv$  index should be used if no similar item is listed. Complete the space provided at the top of column C.

### LINE 1

Column A: enter the proposed item price

Column B: enter the current month and year

Column C: enter the latest CPI for the item

Column D: enter the month and year for the latest Consumer Price Index

### LINE 2

If the previous price was established by comparability or other study:

Column A: enter the previous price

Columns B and D: enter the month and year the previous price was set

Column C: enter the Consumer Price Index for the month and year that the old price was set

If the previous price was established through index pricing refer to the pricing form completed at that time and:

Column A: enter amount on line 9 of the earlier form

Columns B, C, and D: copy from line 1, columns B, C, and D from the earlier form

### LINE 3

Column A: subtract line 1 from 2

Column C: subtract line 1 from 2

### LINE 4

Column A: divide line 3 by line 2 (3 decimal places)

Column C: divide line 3 by line 2 (3 decimal places)

Compare the amounts on line 4, columns A and C.

If the amount in column C, line 4, is greater than or equal to the amount in column A, place the figure shown on line 1, column A, on line 9.

If the amount if column A is greater than the amount in column C:

### LINE 5

Enter the amount on line 2, column A

### LINE 6

Enter the percent on line 4, column C

**Line 7**

Multiply line 5 by line 6

**Line 8**

Add lines 5 and 6

**Line 9**

Round the amount on line 8

## EXHIBIT 4 NPS UTILITY PROGRAM IMPLEMENTATION

### Utility Charges to Concessioners

Costs associated with the provision of utility services to concessioners are to be recovered in conjunction with the instructions in Director Order 35B. The costs of utilities are to be considered as an element of comparability and in calculating the financial feasibility of a concession operation. Adjustments to visitor service rates do not apply when the concessioner purchases the utility from nonpark sources or when the National Park Service charges a comparable utility rate.

**Procedures.** The following steps are to be taken to establish comparable rates, adjusting approved concessioner rates, and monitoring the additional revenue resulting from the add-on.

*Calculating Utility Charges* - Calculating actual and comparable utility charges is done in accordance with Director Order 35B and is usually the responsibility of the Maintenance Division. Maintenance personnel should be well informed about actual comparables. Comparable utility charges should be obtained from the area where the concessioner's comparable rates are determined.

The concessioner must be notified of increased utility charges 60 days before the charges become effective. The concessioner must notify the superintendent within 15 days if an adjustment to the approved rate(s) charged to visitors is desired or if an exception is requested. The request must be acted upon within 15 days. The concessioner must be notified of all utility charge increases higher than comparability at the same time, which should be enough in advance of the main visitor season that only one yearly adjustment to approved charges to visitors will be required.

*Establish Base Price* - Approved rates may be expressed in terms of unit price, markup, or other appropriate measure, and the utility add-on would be expressed in compatible units.

*Documenting Additional Utility Charge Impact* - The concessioner multiplies the difference between operating costs and comparability by anticipated use.

*Requesting Rate Adjustments* - If the concessioner decides to adjust visitor rates the superintendent must be provided with a proposed adjusted rate increase schedule. The schedule must clearly show:

- (1) past unit sales or sales volume for goods and services to be adjusted
- (2) current approved rate or markup percent
- (3) estimated units to be sold or dollar volume
- (4) amount of add-on shown as a dollar amount or as a percentage
- (5) adjusted rate shown as a dollar amount or as a percentage
- (6) estimated additional revenue
- (7) an explanation if a decrease in units or volume sold is expected

The following table is an example of a concessioner's visitor rate adjustment request. The format is recommended but not required. It provides all of the necessary information needed for NPS review and documents the justification for the final decision. It is the responsibility of the local NPS official to outline to the concessioners exactly how to request a rate adjustment.

**PROPOSED CONCESSIONER RATE ADJUSTMENT  
TO RECOUP \$10,000 ADDITIONAL UTILITY CHARGES**

<b>Product / Services Adjustment</b>	<b>Units or Dollar Volume Sold Last Year</b>	<b>Comparable Approved Rate Dollar Amount or Markup</b>	<b>Estimated Units or Dollar Volume to be Sold</b>	<b>Amount of Add-on Dollar Amount or Markup</b>	<b>Adjusted Rate Dollar Amount or Markup</b>	<b>Estimated Additional Revenue</b>
Rooms (units)	8,000	50.00	8,000	.75	50.75	\$6,000
Breakfast buffet (units)	9,200	3.75	*8,000	.25	4.00	2,000
Sandwiches (units)	5,000	2.85	5,000	.15	3.00	750
Tobacco products	\$100,000	30.6%	\$100,000	.4%	31.0%	400
Postcards	\$ 4,000	50.0%	\$ 4,000	1.0%	51.0%	40
Groceries	\$ 30,000	29.9%	\$ 30,000	2.0%	31.9%	600
Boat tours (units)	3,500	4.00	**3,000	.10	4.10	300
						\$10,090

\* Past history indicates approximately a 12% sales resistance when prices are increased by \$.25. (Perhaps the rate change should be further reconsidered).

\*\* Boat dock will open one week later next season

### **Reviewing Adjusted Rate Increase Schedule**

The schedule is to be reviewed by the superintendent to ensure the accuracy of calculations and the reasonableness of projections. If the visitor rate adjustment exceeds 15% of the base price the concessioner should be asked to spread the adjustment over more items or classes of merchandise. Only if this is not practical should an exception for utility charges be considered.

### **Monitoring**

The superintendent should ensure that the accounting system used provides for monitoring revenues generated as a result of the adjustment

### **Distribution of Adjustment**

Goods and services adjusted should affect a wide range of visitors. If the superintendent does not agree with the proposed adjusted rates,

concerns should be discussed with the concessioner. Differences that cannot be resolved are treated as an appeal and referred to the regional director.

After an agreement has been reached as to the goods and services to be adjusted and the amount of the increase, the superintendent approves the new rates. The concessioner is provided with a copy.

### **UTILITY CHARGE EXCEPTION**

A utility charge exception may be applied when the visitor service rate adjustment is so high that consumer resistance begins. At this point, higher prices are offset by reduction in the number of items sold, and the concessioner suffers lost sales and lost repeat business. There is no set point when resistance begins; differences are attributed to the types of goods and services involved, the clientele, and the part of the

country. The sales mix greatly affects price flexibility.

The utility charge exception procedure may be used when charging actual costs for utility services would create an unacceptable financial situation and would frustrate the ability of the NPS to carry out its statutory responsibilities to preserve and protect areas of the National Park system and to provide for their use and enjoyment by the public. Such a situation could also be a justification for eliminating or not granting a concession authorization due to a lack of a reasonable opportunity for a profit without government subsidy.

Authority to approve reduction of utility charges is reserved by the regional director, and the procedure parallels that for appeals. The superintendent's forwarding recommendation should include a discussion of the relevant guidelines. The regional director's approval for a utility exception is valid for one year, and requests for exceptions must be made annually.

The following guidelines apply:

- (1) Price increases of 15% or less should not create an undue competitive situation.

- (2) Utility costs must be spread over as wide a range of goods or services as possible, thus reducing the per-item increase. Concentrating price increases in a narrow range of items to produce an artificial need for the utility charge exception is not acceptable.

- (3) Low profit, high dollar volume merchandise (such as gasoline or groceries) is not amenable to large increases.

- (4) Merchandise prices approved under a competitive market declaration should not be subject to the utility charges.

- (5) Price increases based on utility charges that occur about the same time as increases based on normal market comparability may combine to create consumer resistance. The combined increase should be limited to 20% at one time and the remaining portion of the utility charge increase should be phased in.

## **MONITORING PROCEDURES**

The following procedures are to be used by the superintendent and concessioner to ensure that the increases in rates for goods and services approximate the additional utility charges.

The concessioner, using sales records, invoices, inventory records, and other reports, provides the superintendent with documentation showing the rate adjustments and the added cost based on the actual amount of utility consumed. The following table illustrates the necessary documentation:

<b>Products/Services Adjustment</b>	<b>Projected</b>	<b>Actual</b>
Rooms	\$ 6,000	\$ 6,375.00
Breakfast buffet	2,000	2,625.00
Sandwiches	750	930.00
Tobacco products	400	418.00
Postcards	40	40.00
Groceries	600	800.00
Boat tours	<u>300</u>	<u>310.00</u>
Added revenue	\$10,090	\$11,498.00
Added utility costs	10,000	10,300.00
Actual additional revenue generated		\$11,498.00
Actual additional utility charges		<u>10,300.00</u>
Amount to be recouped or (deducted)		\$(1,198.00)

#### **MINOR DIFFERENCES**

After utility costs and rate adjustments are reconciled, any difference of less than 5% of the actual additional utility costs may be ignored.

Reconciliation should be done at the end of the prime operating season or at a time agreeable to both parties prior to the next rate increase based on comparability. This should be done well in advance for seasonal operations so that adjustments can be noted in the rate schedules provided to the public.

#### **SUBSEQUENT ADJUSTMENTS**

The above documentation shows that the concessioner adjusted rates generated \$1,198 more than actual utility charges. Since the difference is greater than 5% of additional utility costs, the adjustment to comparable rates is to be adjusted downward by \$1,198 the following year. If the difference between additional sales generated and actual utility costs is less than 5%, the difference is ignored.

If during the year the concessioner believes, based on past and current records, that the adjusted rates could result in a substantial shortage or excess of revenue, changes should be recommended to the superintendent that would bring the revenue into the correct range.



## EXHIBIT 5 COMPETITIVE MARKET DECLARATION AND RATE SCHEDULE

### Catfish Marina Services, Incorporated Waterhole National Recreation Area

Catfish Marina Services, Inc. is an authorized dealer for Glaston and Sea Ray boats and sells used Starry rental boats. As a boat sales dealer Catfish Marina Services directly competes for customers with the following businesses:

Rainbow Boats, Holioak, WY, 7 miles away  
Everude Sales, Holioak, WY, 7 miles away  
Lemon Leased Boats, Tidewater, WY, 3 miles away  
Park Boats, Boundary, WY, 2 mile away

The distance between Catfish Marina at Catfish Basin and its competitors is minimal. All of the above firms sell boats in the same class as those offered by the concessioner. In addition, the selling price of boats is generally negotiated between buyer and seller. The many variables that enter into boat prices, such as changes in season, interest rates, model year, and salesmanship make the application of fixed prices unrealistic. It is determined that the concessioner's ability to compete is not enhanced by the location in Waterhole National Recreation Area. Prices are comparable based on competition and negotiation.

Use of a competitive market declaration for approving rates for this service would be authorized. Rates could be adjusted without the specific approval of the superintendent, but they are subject to review to ensure that they remain comparable to similar services offered outside Waterhole National Recreation Area.

This declaration will be reviewed annually and the use of this method could be rescinded if the superintendent determines that the situation has changed. The decision to change rate approval methods is at the discretion of the superintendent.

### Rate Schedule

**Boat Sales - Competitive Market Declaration.** Boats sold by Catfish Marina Services, Inc., at Catfish Basin, Waterhole Recreation Area, are vended in a competitive market. The prices charged for boats are negotiated between buyer and seller. In consideration of these factors, it is declared that rates charged by the concessioner are comparable and approved. Catfish Marina, Inc. may price boat competitively without further approval from the National Park Service.

This declaration is for (insert inclusive dates).

---

Superintendent

Date

## EXHIBIT 6 ASSISTANCE WITH THE DIRECT COMPARABILITY METHOD

### Develop a List of Potential Comparables

This simple process can be accomplished jointly with the concessioner, who should be asked to provide a list of potential comparables to the superintendent. The superintendent and the concessions staff will also create a list of potential comparables. Businesses that are not comparable should not be included since any properties that are greatly dissimilar will not make the final selection of actual comparables. By accepting the properties that a concessioner suggests at this stage it eliminates an unnecessary point of conflict. If a proposed property is a substantial distance (i.e., several hundred miles) from the park, and there are plenty of potential comparables nearer, the property should be rejected. In some situations it is necessary to use comparables that are hundreds of miles away because they are so rare.

### Contact Identified Potential Comparables

**(Full Review)** Contact with a potential comparable in preparation for full review study should begin with a letter that identifies the National Park Service and the program used to review concessioner rate requests through comparability. This letter would state that a park representative would appreciate permission to visit the property in order to ask questions and collect basic information. A date and time for the visit could also be suggested. The letter could mention that a phone call would follow to discuss needs and set an appointment, which gives the potential comparable time to think about the proposal and decide whether or not to participate. The phone call should confirm a visit date and time. Very few operators decline to assist when approached in this manner.

**(Limited Review)** A letter may not be necessary in a limited review, but is still a good idea. The follow up phone call could include an interview with the manager to collect the necessary information. A follow-up to an earlier full review can begin with an information collection

call because the manager will already be familiar with NPS needs from past contacts.

### Visit Potential Comparables

This step can be skipped for a limited review. If a letter was sent and follow-up call made, the actual visit should go smoothly. Information collection is easier if a form is prepared in advance. This sheet could include a space for information on each of the criteria and notes about EQF. Utility cost data should be collected. Thorough notes should be taken on each point. Photographs should be taken to record exterior and interior conditions, and measurements (especially for guest rooms) should be taken to compare spaciousness or crowding with the concessioner facility.

### Analyze Data

The selection of actual comparables has a direct impact on a concessioner's final approved rates. It also has a significant impact on the expenditures of park visitors.

The following procedures are mandatory and must be used when evaluating potential comparables as part of the direct comparability study method. The comparability matrix provides a defensible method for analyzing the data collected for lodging, food and beverage, marinas, tour operations, campgrounds, and gasoline service stations. This analysis is always collected for lodging, food and beverage, marinas, tour operations, campgrounds, and gasoline service stations. This analysis is always required unless the number of comparable businesses is extremely limited. Even with very few comparable businesses this process eliminates properties that are beyond a reasonable level of comparability. The concessioner does not participate in the matrix process.

**Detailed Matrix Discussion (Strengths and Weaknesses).** The matrix provides a less subjective approach for determining the properties that are selected as actual comparables. The matrix does not eliminate the need for good judgment and a thorough knowledge of the comparability process. The matrix is based on values of similarity that express differences between a particular potential comparable and the concessioner. The values are determined using the concessioner's criterion as the base against which all others are compared. These values are assigned to each of the identified criteria for lodging, food and beverage, marinas, campgrounds, transportation, and gasoline service stations.

Numeric values can be assigned to the criteria, such as number of rooms, percentage of occupancy, number of restaurant seats, and number of boat slips. It is more problematic and requires judgment and knowledge to assign values to nominal criteria such as type of area, clientele, facility characteristics, and similar menu.

This method provides a balanced procedure for rating potential comparables in an unbiased manner. Determining an approved rate is not an exact science; the concessioners rates are appropriate if most customers would expect to pay similar prices for similar services under similar conditions outside the park.

The comparability matrix has a dual axis. The business properties measured (including the concessioner) are listed down the left column. The criteria measured are listed across the top. When completed, this matrix will note the degree of similarity between the concessioner and the potential comparables. It does not designate the properties as better or worse, but only shows the degree of similarity. Quality and value are not analyzed thoroughly until after the selection of actual comparables.

Information on the criteria (food and beverage [8], lodging [7], marinas [6], tour operations [4],

campgrounds [5], and gasoline service stations [3]) must be collected during visits to all potential comparables. These criteria are the only items measured to determine comparability. After the comparables are identified, then EQF may be used to determine final approved rates.

When completing the comparability matrix, it is critical that the same person(s) evaluate all the properties in the matrix to ensure consistency (concessioners do not participate in the matrix process). The concessioner is listed first on the matrix and is assigned a value of 10 points for each criteria. This format would result in a total of 70 points for the concessioner in a lodging matrix because there are seven criteria ( $10 \times 7 = 70$ ). The concessioner always has the most points because they provide the base on which all the potential comparables are compared. The total does not signify a level of performance or quality but only similarity of operations compared to the concessioner. The NPS employee completing the matrix will then devise point spreads for each of the criteria analyzed that reflect the differences between potential comparables. For example, if a concessioner has 100 guest rooms a potential comparable should have 95-105 guest rooms to receive 10 points. A possible rating scenario on the criteria for number of guest rooms follows:

95-105 rooms	10 points
85-94 and 106-115 rooms	9 points
75-84 and 116-125 rooms	8 points
65-74 and 126-135 rooms	7 points

Some criteria may not be as varied and could result in either 10 (the same), five (partially the same), or zero (completely different). The NPS employee should strive for consistency supported by knowledge and thoroughness, not perfection.

This technique is valuable and easy to use because the final scores for each potential comparable are not important alone, but only in

relationship to the other potential comparables. The most critical aspect of completing the matrix is to maintain program consistency by ensuring that the same person(s) evaluates all of the properties. Then any rating can be given on a particular criterion as long as properties that are similar receive the same rating.

After the matrix is completed and the points are totaled for each property, the NPS employees involved will look for a natural break in the point spread. All properties above that number will be selected as actual comparables. If a break level is not apparent or provides too few or too many properties, then an arbitrary number of properties may be selected. The determination can be made locally or through consultation. No specific number of comparables is required, but as a rule there should never be fewer than three actual comparables selected.

After the actual comparables are designated, further analysis will consider EQF to determine where the concession fits among the comparable properties and the range of rates. Following this analysis other factors deemed significant are introduced that help define the comparative quality of the concessioner's goods and services. These factors impact the final rates to the public and should not be considered until a rate based on comparability has been determined. Additional rates above comparability should never be authorized without written documentation.

The matrix system can seem confusing and complicated at first, but with use it becomes simple, easy to use, and productive. It contributes to an objective analytical final rate decision.

### **In Depth Analysis of Actual Comparables**

The properties that did not become actual comparables are no longer considered. Information, including other factors deemed significant and EQF, are thoroughly reviewed as part of determining where the concessioner falls among the range of the actual comparables. This is the step where better and worse are measured and noted.

After completion of this step it is possible to determine approximately where the concessioner's operations fit within the range of quality and type of services or facilities offered by the actual comparables. To make this determination the analysis must compare, measure, and appraise the level of EQF in both the concession and the actual comparable facilities. These features generally add operating costs and value and benefit to the customer. The review can be a simple comparison of the concessioner's EQF against the corresponding lists of the individual actual comparables.

Each actual comparable should be discussed in a well-written narrative that includes the EQF and other criteria for each specific type of facility or service. The narrative should demonstrate first-hand knowledge of the property and should add value to the matrix comparison. The narrative should discuss various aspects of the property or service and management attention to detail.

After point-by-point comparisons and development of property narratives, a logical determination of where the concessioner fits in among the actual comparables in respect to service, condition of facilities, and attention to detail can be made. Rates have not yet been considered. Proceeding to review the rates of the actual comparables and positioning the concessioner among them will provide a good indication of the acceptable price range based on comparability.

### **Rate Request from Concessioner**

Certain standards for the development of rate requests are to be expected and locally outlined to concessioners. The standards should be summarized in the concessioner's operating plan. A timetable should include the latest date that rates should be submitted for consideration. All dates should be discussed and should provide logical time frames for completing the necessary reviews. It is critical that adequate and descriptive requests from the concessioner describe the level of services and products provided for the rate requested.

Rate requests should include information from the concessioner about which the National Park

Service may be unaware. Without a detailed rate request, assumptions should not be made by the National Park Service to support a concessioner's desired rates.

At this point the concessioner must submit and support any other factors that they believe should be considered. The National Park Service must carefully evaluate requests for rates over and above comparability to ensure that there are expenses that the comparables do not share in one form or another.

With this data and the positioning among comparables, a determination can be made as to whether the concessioner's rate request is reasonable.

### **Rate Recommendation to Superintendent**

This should be written and could include an executive summary of the process and information collected. The rate recommendation should include the formal comparability study and analysis and should provide all the support documentation for approving or disapproving the requested rates. Some recommendations are long and complex. Others may be fairly simple and short.

Recommendation documents should be presented in a logical and analytical format that outlines the procedures and methods followed in reviewing the concessioner's rates and in analyzing the comparability data. A recommended format for the analysis and accompanying recommendation would include:

- (1) Determination of study level (full or limited)
- (2) List of potential comparables
- (3) Description of properties visited and associated data
- (4) Analysis of data collected
- (5) Selection of actual comparables (comparability matrix)
- (6) In-depth analysis of actual comparables (with narrative)
- (7) Rate request from concessioner
- (8) Recommendations for approval or disapproval

An executive summary should be included to provide a quick synopsis of the results and recommendations for those who do not have the time to read the entire report.

## EXHIBIT 7 AVERAGING FREIGHT COSTS

This program is optional. It provides a way for concessioners to include an ***add on*** for freight costs without having to recalculate the retail price after every shipment of merchandise, so that prices do not fluctuate on items throughout the year.

The major burden is on the concessioner, who must keep accurate records for calculation of an average freight cost. The freight cost should be stated as a percentage of merchandise sold for the previous year. The concessioner would document to the National Park Service (at the park level) exactly what the percentage for freight was for the past year. If the park agrees to permit averaging and the concessioners documentation is adequate, then the percentage could be added to all merchandise sold in the following year. This procedure is a variation on the standard process that requires the concessioner to calculate the freight rate for each individual item based on the identified costs on the separate invoices.

The concessioner is required to track the actual costs for the year in order to determine if recovery for freight costs is above or below the actual cost. This difference would then be taken into consideration in the next year by either raising or lowering the percentage to account for the difference. This is only an annual adjustment.

If a park decides to allow this time-saving process it is necessary to ignore the invoice freight charges in calculating approved retail sales prices. The final rate for all merchandise would have the same percentage of freight charges (for example, 3.2%). Some of the actual freight rates would be higher and some lower than the overall average. The average percentage figure also includes reductions to freight charges received for quantity purchases or prompt payment.

As an example, if the wholesale cost of an item to the concessioner is \$10.00, \$0.32 (3.2% in the example above) could be added before the item is marked up to the final retail price. If the mark up is 100%, the final retail price of the example item would be \$20.64. This does not include rounding, local utility add on charges, or other appropriate costs. No add on costs are permitted for warehousing.

This process, when supported by accurate records, results in more stable pricing and a more convenient administrative process.

**EXHIBIT 8 EXTRA QUALITY FEATURES  
CAMPGROUNDS**

Features (check if present)	Concessioner	Comparable A	Comparable B	Comparable C	Comparable D
Utility hookups (water, sewer, electric)					
Trash receptacles					
at site					
centralized					
Dumping station					
included in campsite rate					
extra charge					
Showers					
included in campsite rate					
coin operated					
partitioned stalls					
open/common area					
heated					
Restroom service					
pit toilets					
flush toilets					
hot and cold water					
Water					
at individual sites					
scattered hydrants					
central only					
<b>Site Characteristics</b>					
Site seclusion (utmost, moderate, limited)					
Separate area for tents					
Landscaping appropriate for natural terrain					
Type of access					
rough or gravel road					
paved					

Pull through for RVs and trailers					
Compliance with ADA requirements					
Lighted areas and paths					
Picnic table at site					
Fireplace/grill at site					

<b>Service Related</b>					
Reservation system					
Public phone available					
Camper service store					
Food service					
Gasoline service station					
Propane					
24-hour onsite available					
Firewood available					
Coin-operated laundry available					
Ice available					
Vending machines					
Interpretative programs					
Entertainment programs					
Recreation room					
Swimming pool					
<b>Local Factors Deemed Appropriate</b>					



**EXTRA QUALITY FEATURES  
FOOD AND BEVERAGE SERVICE**

Features (Check if Present)	Concessioner	Comparable A	Comparable B	Comparable C	Comparable D
Decor representative of local area					
Compliance with ADA requirements					
Baby changing area in restrooms (men/women)					
<b>Comfort Related</b>					
Air conditioning					
Live entertainment/stage					
Smoking/nonsmoking areas					
<b>Service Related</b>					
Accommodates tour groups					
Takeout service available					
Complimentary coffee in lobby/waiting area					
Special menus (such as diabetic, vegetarian)					
Senior citizen discounts					
Children's menu					
Ability to pay at table vs. central cashier					
Accepts reservations					
<b>Organizations</b>					
Major credit cards accepted					
Linen tablecloths (dinner)					
Glass vs. paper or plastic cups					
Single-service vs. flatware					
<b>Local Factors Deemed Appropriate</b>					

**EXTRA QUALITY FEATURES  
GASOLINE SERVICE STATIONS FACILITIES**

Features (Check if Present)	Concessioner	Comparable A	Comparable B	Comparable C	Comparable D
Restroom					
Public phone					
Car wash					
Air and water					
free to customers					
charge					
Convenience store					
Overhead canopy					
Compliance with ADA requirements					
<b>Comfort Related</b>					
Waiting room for auto repair					
<b>Service Related</b>					
Trailer/RV service					
Tires, batteries, and accessories					
Tire repair service available					
Tow service available					
Mechanic on duty					
Open 24 hours					
Open 7 days per week					
Accepts major credit cards					
Credit cards accepted at pump					
<b>Local Factors Deemed Appropriate</b>					

**EXTRA QUALITY FEATURES  
MARINA FACILITIES**

Features (check if present)		Concessioner	Comparable A	Comparable B	Comparable C	Comparable D
Hotel/motel						
Restaurant/bar						
Groceries						
Adequate water depth for draft of boats						
Secure boat tie-up system						
Fuel dock and other fuels (propane, etc.)						
Fire protection water and equipment						
Dock utilities (water, electric, cable TV, phone)						
Availability and proximity of parking lot						
Dock boxes and carts						
Dinghy racks and other storage areas						
Restroom, showers, and laundry						
Ice, vending machines						
Fish cleaning station						
Ship store/parts and accessories						
Landscaping						
Picnic area, swimming pool, tennis courts, etc.						
Recreation or lounge area						
Posted marina rules						
Boat haul-out facilities						
Repair/maintenance (mechanical, hull, rigging, etc.)						
Transient berths/moorings						
Dry storage						
Trailer parking						
Compliance with ADA requirements						
<b>Service Related</b>						
Sewage pumpout station						
Marine VHF monitoring						
Dock hands to assist in docking						

Weather information					
Book/VCR library					
Charter boat operation					
Camping					
Swimming					
Water skiing					
Fishing					
Beach rentals					
Boat rentals					
Fishing equipment					

<b>Local Factors Deemed Appropriate</b>					

**EXTRA QUALITY FEATURES  
OVERNIGHT ACCOMMODATIONS**

Features (check if present)		Concessioner	Comparable A	Comparable B	Comparable C	Comparable D
Rooms						
	individual temperature control					
	suites					
	compliance with ADA requirements					
	kitchenettes					
	television					
	free cable					
	pay per view movies					
	telephone					
	free local calls					
Vending						
	in-room					
	common area					
Swimming pool						
	indoor					
	outdoor heated					
	outdoor unheated					
	pool deck and/or patio area					
Retail facilities						
Restaurant/bar facilities						
	cafeteria					
	full service dining room					
	bar					
Fireplace in common area						
Designated bus/camper parking						
Children's play area						
Recreation/weight room						
Marina						
Beach						

Tennis courts					
Golf privileges					

<b>Convenience/Comfort Related</b>					
Wall-to-wall carpet in rooms					
Grade-A furniture					
Bedside lighting controls					

<b>Service Related</b>					
Baggage (bell hop)					
Valet parking					
Room service					
Entertainment					
Medical assistance/RN on duty					
Audiovisual movies					
Make other reservations					
Rental cars available					
Major credit cards accepted					
Registration office open 24 hours					
800 number available					

<b>Local Factors Deemed Appropriate</b>					

**EXTRA QUALITY FEATURES  
TOUR SERVICES**

Features (check if present)	Concessioner	Comparable A	Comparable B	Comparable C	Comparable D
Restroom on board					
Public address system					
Compliance with ADA requirements					
<b>Comfort Related</b>					
Reclining seats					
Air conditioning					
<b>Service Related</b>					
Special activities arranged					
Accepts major credit cards					
Tour guides/foreign language capability					
<b>Local Factors Deemed Appropriate</b>					